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24 March 2011

Mr Steve Ong
Director, Standard Setting
Hong Kong Institute of Certified Public Accountants
37th Floor, Wu Chung House
213 Queen's Road East
Wanchai, Hong Kong

(Fax: 2865 6776)

Dear Mr Ong,

**Invitation to comment on
IASB Exposure Draft of Offsetting Financial Assets and Financial Liabilities**

Thank you for your letter of 1 February 2011 inviting the Audit Commission to comment on the captioned subject.

We welcome the proposed common approach adopted by the International Accounting Standards Board and the US Financial Accounting Standards Board for the offsetting of financial assets and financial liabilities in the statement of financial position. We agree that an entity should be required to offset a financial asset and a financial liability when it has an unconditional and legally enforceable right of set-off and intends to settle the asset and the liability on a net basis. An entity should also disclose information, as set out in the Exposure Draft, about the effect of the rights of set-off and the related arrangements on the entity's financial position.

Yours sincerely,

(Andrew Chang)
for Director of Audit